

## HR 2005 Classification and Compensation Overview

---

### A. Background and Purpose

The Personnel System Reform Act (PSRA) of 2002 provides the unprecedented opportunity to build a new human resource system that will help create and sustain a performance-based culture in Washington State government. Human resource policies and management practices must be put in place that enhance the state's ability to attract and retain a competent workforce, and that foster employee productivity and successful performance. The state's classification structure and compensation system will be key to achieving this goal for civil service reform.

The PSRA calls for a streamlined classification system that will better support state government's efforts to deliver effective and efficient services to the citizens of the state. In achieving this goal, the law mandates that the present number of job classifications be substantially reduced.

The state's existing 2,400 job classifications will be consolidated into occupational categories containing much fewer, but more broadly defined job classes. To accommodate this new structure, the state's salary grid will be revamped, so that the present 83 salary ranges will be replaced with fewer, but wider salary ranges.

Modernizing the classification structure in this manner offers a number of benefits to both management and employees. It creates a more flexible system that can quickly respond to a dynamic workplace and workforce, changing technologies, varying economic and social conditions, and citizen needs. It facilitates reorganization and decentralization of government services. It enhances employee mobility and career advancement opportunities. And, it simplifies and reduces many administrative processes.

At the same time, there are a number of challenges involved in the design and initial implementation of this new type of classification structure and salary grid. Challenges include: respecting and balancing job diversity and commonality; addressing inequities and misalignments resulting from historical classification and pay decisions; maintaining cost-neutrality upon implementation; and managing significant change and identity issues.

A modern compensation system has been designed to accompany the new classification structure. The system contains a number of flexible compensation tools and options that can be quickly deployed to address changing needs and resolve problems. This flexibility is balanced with rules to ensure that compensation options are applied in a fair and equitable manner. Overall, the new compensation system must recognize and support the critical link between individual employee performance and the successful performance of the organization as a whole.

Before design work began, the Department of Personnel conducted extensive research of other jurisdictions and state-of-the-art developments in the human resource industry. In addition, comprehensive surveys and focus groups of state employees, managers, and human resource professionals were conducted to determine needs and preferences.

During the summer and fall of 2003, classification and compensation design options, recommendations, and prototypes were rolled out and presented to agency directors, managers, employees, HR professionals, unions, and independent expert consultants for review and comment. Based on this input, DOP has made a number of refinements to the original drafts and presents the designs described herein.

The purpose of this document is to lay out the basic structure and operation of the proposed new classification and compensation systems. Such discussions often become quite technical. This document attempts to describe the new systems in a manner that is understandable to interested parties.

## **B. New Classification Structure - Occupational Categories**

Presently, Washington State government uses 2,400 job classifications to define and compensate approximately 65,000 non-management<sup>1</sup> positions in state agencies and higher education institutions. Historically, general government (agencies) and higher education have had separate classification systems, even though many of the jobs were similar in function and requirements.

There is also considerable functional overlap among existing job classes due to a strong tendency to create new classes in order to give a salary increase to someone who has reached Step K or for other business needs. While a temporary salary fix for a specific situation, this historical practice has resulted in a proliferation of new and tightly defined job classes over the years.

These historical practices have produced a variety of negative consequences including system-wide salary inequities and alignment problems, barriers to employee mobility and career advancement, and cumbersome, costly administrative processes.

To address these issues, as well as statutory requirements, key objectives in re-designing the classification and compensation system have included:

- Reducing the number and rigidity of job classifications
- Merging general government and higher education classifications
- Providing a compensation structure and adequate flexibility to recognize performance and legitimate business needs
- Streamlining administrative processes
- Maintaining cost-neutrality upon implementation

One of the most important objectives is to propose a new structure and system that is understandable and makes sense to managers and employees.

### **Occupational Categories**

The proposed new classification structure will consolidate the existing 2,400 job classifications into broader occupational categories. Most, but not all, occupational categories would then be divided into four levels, such as: entry; journey; lead/specialist/senior; and, supervisor/expert. These “levels” would make up the new classifications.

---

<sup>1</sup> Excludes non-classified managers, employees, and faculty. Excludes Washington Management Service positions.

An example of an occupational category is “Clerical, Office Support, & Secretarial”. Presently, there are 37 separate job classes for such jobs. Under the new structure, these 37 classes would be consolidated into this occupational category. Based on assigned duties and responsibilities, these jobs would then be in one of the four levels. As a result, the 37 office support job classes would be consolidated into 4 classes, as shown below.

<b>Occupational Category: “Clerical, Office Support, and Secretarial”</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
<b>Present Job Class</b>	Office Trainee Data Entry Operator 1* Office Assistant 1	Data Entry Operator 2* Office Assistant 2 Office Assistant Word Processing Operator 2 Data Compiler 1 Data Entry Operator 3 Secretary* Word Processing Operator Senior Office Assistant 3 Office Assistant Senior Data Entry Operator Lead	Technical Secretary Data Compiler 2 Office Assistant Lead* Secretary Senior* Word Processing Op Lead* Data Entry Supervisor Secretary Lead* Data Compiler 3 Office Support Supervisor 1*	Office Support Supervisor 2* Secretary Supervisor* Word Processing Supervisor 2 Office Support Supervisor 3
*Presently, two separate classes for same title; one each for higher education and general government.				

### **Criteria and Rationale for Proposed Occupational Categories and Levels**

Determining the type and number of categories and levels, and the placement of existing job classes within that structure, is not an easy task. Many combinations seem logical and straightforward, while others do not seem to make sense at first blush. Therefore, it is important to consider the criteria and rationale for the proposed structure.

The following criteria were adhered to in determining the occupational categories and how existing job classifications should be placed within them. The category structure could not be determined without strong consideration of salary and cost implications. This is reflected in these criteria.

#### Criteria for Occupational Categories

1. Commonality of work. Jobs with similar duties, responsibilities, and skill needs should be grouped together.
2. Jobs with the same legal requirements should be in the same category.
3. Keep existing class series together.
4. Categories should not be so broad as to cause lengthy descriptions to have to be written. The objective is to have clear, concise occupational definitions to facilitate position allocation and to enable employees to easily recognize their jobs in a category.
5. Categories should not be so broad as to require salary bands that are too wide (to avoid the possibility of uncontrolled salary growth):
  - The breadth of each level within a category should be limited to 4 to 6 existing salary ranges.
  - Classes common to both general government and higher education should be kept in the same category, regardless of the 4 to 6 range criterion.
  - The 4 to 6 range criterion may be set aside for a class with no or few incumbents and the class does not fit anywhere else.

6. Separate categories should be used for common work that has multiple sub-professional and professional jobs, if putting all in one category causes too large a salary band.
7. Categories should not be so broad as to have conflicting salary survey benchmarks. Multiple benchmarks must be compatible in order for the salary survey process to be valid.

In addition to these key criteria for determining occupational categories, the definitions shown below were used to place existing classes into one of the four levels. It is noted that not all categories will have all four levels due to the nature of the work.

#### Summary Definition of Levels

Level 1	This is the beginning level of work and is a stepping stone to a fully qualified level; or, in some occupational categories, positions at this level are fully proficient. This level can be described a variety of different ways including; Technical, Para-Professional, In-Training, Trainee, Apprentice, Assistant, or Entry.
Level 2	Employees in Level 2 are able to independently perform work assigned and may supervise supporting positions in different occupational categories. This level is described as the working or fully qualified level.
Level 3	Employees at Level 3 are experienced in all aspects of work assigned and are sought out by others to assist as necessary. Employees may supervise supporting positions and/or lower level positions in the same occupational category. This level can be described in a variety of different ways including: Senior, Specialist, Lead, Trainer, complex or in-depth worker.
Level 4	Employees at this level resolve the most complex problems/issues that arise and/or may supervise all positions within the occupational category or in other categories.

### **Classification Restructuring Results**

A complete listing of the new occupational categories and levels, including the placement of existing job classes, will be available. This restructuring results in 281 occupational categories, and 917 levels or classes (compared to ~2,400 classes in existing system).

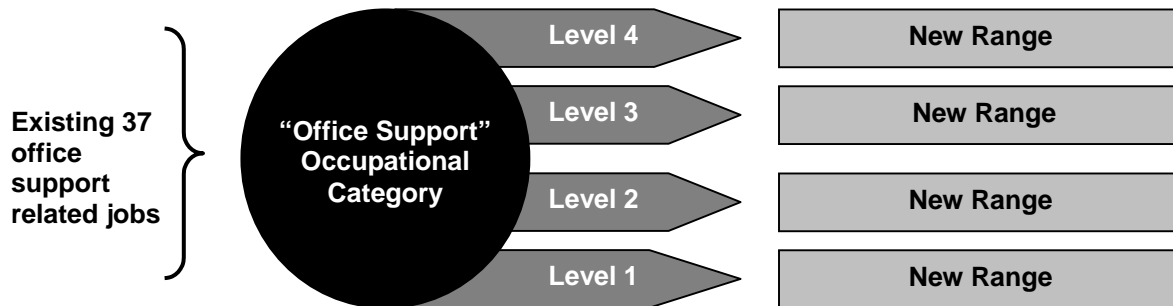
### **C. Classification and Proposed New Salary Schedule (Grid)**

The existing 2,400 separate job classifications are each assigned a specific salary range. Each range is divided into eleven steps, Step A through Step K. Based solely on longevity, employees progress through these steps at approximately 5% increments. It takes 4½ years to reach Step K. At that point, the employee receives no further salary increases, unless he/she promotes to a higher level class.

The existing salary ranges are narrow, having an *average* width of 28% minimum to maximum (i.e., width from Step A to Step K). At present, most employees are in job classes that are assigned to ranges with this average width.

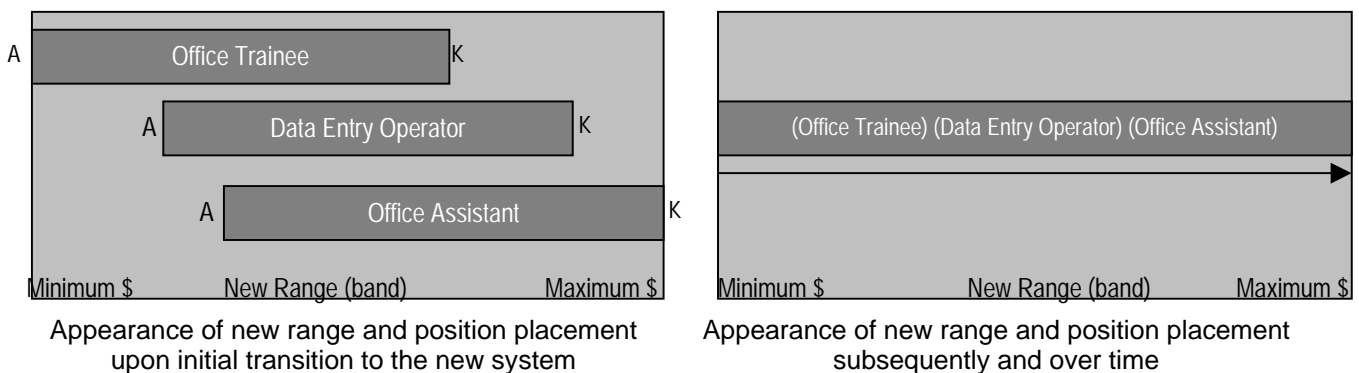
With the new classification and compensation system, each level within an occupational category will be assigned to a new salary range that is much wider than those used presently. The new ranges will have an average salary width of about 48% from minimum to maximum salary.

An example of the proposed new classification and salary structure is illustrated below for the “Clerical, Office Support, Secretarial” occupational category. As mentioned previously, presently there are 37 separate classifications for office support jobs. These would be consolidated into one occupational category and all such jobs would then be appropriately assigned to one of the four levels within that category. Each level would then be assigned to one of the new wider salary ranges.



### The New Salary Grid

Employees will be transitioned to the new system at their existing salary and position salary spread of A through K. Again, most employees will be at Step K. In the beginning, it will *appear* as though existing job classification and A-K salary structure remains and has simply been placed into fewer, but broader, salary ranges. However, subsequent to initial transition, an employee's salary within the new range may be adjusted for a variety of reasons and have the potential to go beyond the old Step K. Over time, distinctions among the traditional job classes will disappear, as will the A-K structure. This concept is illustrated below using the Office Support - Level 1 as an example:



The objective is to ensure near cost-neutrality upon implementation. That is, that no employee experience a salary loss, but that there not be significant salary increases upon implementation. No additional salary funding was authorized by the Legislature for this transition.

Matching an appropriate salary grid to the broader occupational categories, while achieving this objective, is a significant challenge. Each of the new ranges must be broad enough to accommodate the diversity of work in the new levels, cover present salaries, provide room for some growth, and reflect meaningful monetary distinction from one level to the next. At the

same time, the new ranges cannot be so wide as to allow the possibility of uncontrolled salary growth.<sup>2</sup>

After reviewing a variety of scenarios (from 35% to 65% in width) and consulting with independent experts in the compensation field, the Department of Personnel has derived the salary grid design shown to the right.

The new grid has 21 wider ranges, compared with the existing 83 narrow ranges. The average width of each new range is about 48%, compared to an average 28% in the existing system. The differential between maximum salaries from level to level equals 10%, compared to the existing 2.5%.

In comparison to other possibilities reviewed, this new grid was deemed to be the best option because it:

- Accommodates broader class distinctions, diversity of work, and salary range differences within the proposed classification plan.
- Offers meaningful differentials between range maximums to better account for promotions and reallocations within a broader class structure.
- Minimizes potential cost impact by providing minimum and maximum pay amounts that fit closely with present minimum and maximum of all the classes reassigned to the new levels.
- Includes only ranges that are being used in the present structure and their minimums and maximums pay levels.

New Salary Grid		
New Range	Minimum	Maximum
1	16,312	24,100
2	17,943	26,510
3	19,737	29,161
4	21,711	32,077
5	23,882	35,285
6	26,270	38,813
7	28,897	42,695
8	31,787	46,964
9	34,966	51,660
10	38,462	56,827
11	42,309	62,509
12	46,540	68,760
13	51,194	75,636
14	56,313	83,200
15	61,944	91,520
16	68,139	100,672
17	74,952	110,739
18	82,448	121,813
19	90,692	133,994
20	99,762	147,393
21	109,737	162,132

## D. New Compensation System - Salary Administration

Under a general framework of Washington Administrative Code (the rules), employers will have decentralized authority for making many different types of pay decisions. Employers will be required to develop internal policies, guidelines, and monitoring mechanisms to balance flexibility with accountability, and ensure fair and equitable results for managers and employees.

While most of the salary administration tools discussed in this section are at employer discretion, there are circumstances where approval by the Director of Personnel will be required – particularly where performance is a factor in certain compensation decisions. In all cases, the Department of Personnel will provide needed guidance and consultation, and oversight to ensure a fair and streamlined process.

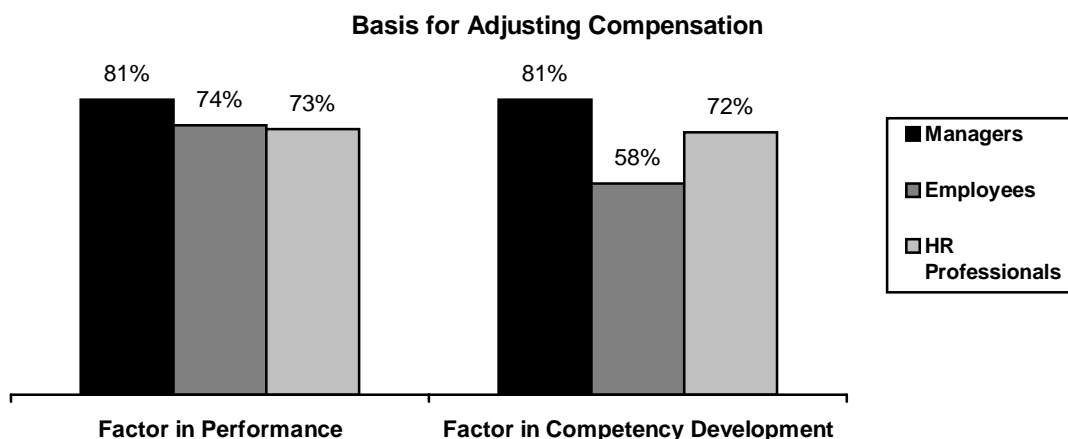
---

<sup>2</sup> Rules and parameters to control salary growth are discussed later in this document.

The following conceptual principles were used to guide the design of the new compensation policies and tools. These same principles are intended to guide ongoing compensation decisions and practices when the new system is implemented in agencies/institutions.

- Use compensation as a strategic and tactical tool to attract and retain a high performing workforce
- Assign consistent relative internal value (salary alignment) to positions and employees
- Provide understandable compensation rules and tools to better achieve business objectives, allowing decentralized administration with appropriate flexibility and consistency
- Offer innovative pay delivery methods that consider performance, equity and alignment, and labor market issues, in balance with financial resources
- Be competitive in the market for recruitment and retention purposes
- Foster employee understanding and effective supervisor/employee discussions about compensation practices and decisions
- Comply with state and federal law, and agency policies and guidelines.

Recent research<sup>3</sup> conducted by the Department of Personnel shows strong support among managers and employees for modernization of the state's compensation policies and practices. The traditional focus on longevity as the sole basis for increasing salary within a job class is seen by most as ineffective in helping to attract and retain a high performing workforce. As shown in the charts below, the majority of managers and employees indicate that performance and skill sets should play a more prominent role in adjusting salaries.

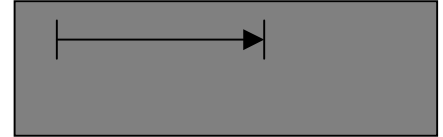


### Base Salary

As discussed previously, upon initial implementation of the new system in 2005, current employees will be transitioned to the new salary ranges at their existing salaries. It is projected that 75% of employees will be at Step K of their present range at that time. The remaining 25% will continue to receive the traditional step increases until they achieve the equivalent of Step K in their present salary range.

<sup>3</sup> Surveys and focus groups conducted by DOP in 2002 and 2003 of state managers, employees, and HR professionals.

Subsequent to initial implementation, each position newly placed in the wider 48% range will be assigned a position salary spread that has minimum to maximum width of 28%.<sup>4</sup> DOP will provide a method to help employers determine where in the new wider range the spread should be placed.



The employee's initial base salary will be the dollar amount within the position salary spread to which the employee is entitled, before any salary adjustments. Tools to adjust or supplement initial base salary are discussed in the remainder of this document.

## Progression Increases

Progression increases are incremental increases to an employee's base salary, within the position salary spread. In the new compensation system, progression increases will be based on longevity, with the capability to factor in performance.

As previously mentioned, employees who are not yet at Step K when transitioned to the new system will continue to receive the traditional step increases (per the existing rules) until they achieve the equivalent of Step K in their present salary range.

In the new system, newly appointed or promoted employees will receive guaranteed progression increases of 5% annually, until their base salary is at the maximum of the position salary spread. Employees who are appointed at the minimum of the spread will receive a 5% increase after the first six months and then 5% annually thereafter.

The employer may adopt internal policies that will allow adjustment of the timing, number, and amount of progression increases based on job-related factors *other than* performance, provided that the employee receive the total 5% annual amount.<sup>5</sup> This may be done for all employees, all employees in an organizational unit, or employees in designated positions. For example, the employer may choose to provide progression increases of 2.5% twice a year, upon completion of job-specific training requirements.

As an exception to the above, the employer may accelerate or defer the timing and amount of progression increases for individual employees on the basis of performance. To recognize superior performance, the employer could give more than 5% during the course of a year. For example, 2.5% on a quarterly basis; or 5% twice a year; or 10% at year's end. Or some other amount and timing, up to the position's salary spread maximum.

On the other hand, the employer could choose to defer the timing/amount of progression increases for an employee whose performance is not satisfactory. For example, no increase until acceptable standards are met, or a minimal increase of 2.5% at year's end.

The ability to use performance as a factor in providing progression increases will be an optional, but important, tool to help build and sustain a performance-based culture. To use this tool, the employer must first receive "Performance Management Confirmation" from the Director of Personnel. The Performance Management Confirmation Criteria are listed in Attachment A.

---

<sup>4</sup> The 28% position salary spread is equivalent to the existing narrow ranges that average 28% in width.

<sup>5</sup> If no such policy is adopted by the employer, employees will receive the guaranteed progression increases described in the previous paragraph.



## **Performance Recognition Pay**

Recognition pay will be another important performance-linked compensation tool. Employers will be able to grant a lump sum payment to an individual employee or to a group of employees to recognize outstanding accomplishments or the achievement of pre-defined goals.

The amount of recognition pay would be limited to 15% of the employee's base salary, but would not become part of base pay and must be re-earned. The Director of Personnel may grant exceptions to the 15% maximum recognition payment. Receipt of Performance Management Confirmation is a prerequisite to using this tool.

## **Incremental Increases in Duties and Responsibilities**

Many times employees are assigned additional new tasks and responsibilities that are significant, but are not substantial enough to warrant movement to a higher level job class. In the existing system, there is no good way to recognize employees for the added value of these assignments.

In the new compensation system, employers will be able to increase base pay and the position salary spread maximum to acknowledge an employee's incremental increases in duties and responsibilities within the same job class. A tool to measure the value of new assignments will be made available by the Department of Personnel.

## **Promotions**

In the new system, promotions will mean moving to a higher level job class and, therefore, a new salary range. This could happen by moving to a new position, or in the same position when new duties and responsibilities are more substantial than the incremental value increase discussed above.

Employees who are promoted to a higher level job class, will receive an additional 5% to 10% of the former base salary. Employers will be able to grant higher increases depending on the significance of the job change, for internal alignment, retention issues, or other business needs.

## **Assignment Pay**

Assignment pay is a premium added to base salary and is intended to be used only as long as the situation on which it is based is in effect. Employers will be able to grant assignment pay to recognize specialized skills, assigned duties, and/or unique circumstances that exceed the ordinary. Once the Director of Personnel approves the assignment pay, the employer determines which positions will qualify for the premium. Assignment pay can also be used to support recruitment or retention needs as described in the following section.

## **Recruitment and Retention Pay**

The employer will be able to adjust an employee's salary within the position salary spread to address recruitment and retention issues, such as equity, alignment, or competitive market conditions.

Assignment pay may also be used to support recruitment or retention needs. At the employer's discretion, up to a 15% premium may be added to base salary or paid on a lump sum basis.

Premiums above 15% would need approval from the Director of Personnel, as would the granting of additional pay for large numbers of incumbents or candidates for multiple positions.

### **Equity and Alignment Pay**

Various sections of the proposed compensation rules will allow the employer to adjust base salary for equity/alignment purposes. For example, adjustments can be made within or to the position salary spread for equity and alignment issues relating to promotions and recruitment/retention.

In addition, a proposed "salary exceptions" rule is designed to address unanticipated situations where there is a legitimate business need to set the salary outside the range. This rule is intended to replace the existing Y-rate rule.

### **E. Standardized Pay Practices**

Presently, there are many pay practices required by rule, state, and/or federal law to compensate employees for overtime, shift work, being called back to work, having to be ready to work if called, and other schedule-related issues. Changes will be proposed to some of these pay practices to make them easier to use. Exceptions may be requested from the Director of the Department of Personnel to adjust for differences between general government and higher education systems.

### **Special Pay Ranges**

As part of the compensation plan, there are several unique pay ranges or provisions that have been approved by the Personnel Resources Board for specific job classes. These pay provisions will continue to apply to classes in the new occupational groupings, although the wording or mechanism may change.<sup>6</sup>

### **Overtime and Workweek Issues**

The new rules will be in alignment and compliance with the federal Fair Labor Standards Act.

### **Compensation Requiring Legislative Action**

General increases, such as cost-of-living adjustments, require formal action by the State Legislature. For positions in bargaining units, compensation amounts will be subject to collective bargaining between the Office of Financial Management<sup>7</sup> and unions. This will take place beginning in January 2004. The proposed contracts will be presented to the Legislature for approval in the 2005 legislative session. For all other employees, general increase amounts will be included in the Governor's budget proposal, which will also go to the Legislature for approval.

---

<sup>6</sup> Presently, the minimum salary for the trades classes is Step E in general government and Step G in higher education. This concept will carry forward, either by identifying alternate minimums within a new range, or by creating a special pay grid for the trades classes. The University of Washington currently uses a hospital pay plan and a unique nursing salary schedule. General government has a special pay grid for registered nurses. These will be retained. There is a special State Patrol range for some job classes; this will be retained. There are special ranges (V and T) for teachers and associated classes in the Vancouver School District at the Schools for the Deaf and the Blind; these will be retained. Liquor Store Clerks' special pay range which will be retained. Provisions for off duty dog handler assignments and for Lottery's sales incentive program will be addressed as part of assignment pay.

<sup>7</sup> Some higher education institutions have chosen to bargain directly with the unions.

Salary survey implementation and 6767 implementation also requires legislative action. No change to existing practice is anticipated at this time.

## **E. Classification and Compensation Review and Adoption Timeline**

Aug – Nov 2003	Informal review and input from employers and labor organizations on draft rules and products: <ul style="list-style-type: none"><li>Classification rules</li><li>Compensation rules</li><li>Occupational groupings and salary structure</li><li>Position description form</li></ul>
December 2003	Revised draft occupational groupings and salary structure distributed and posted.
January 2004	New Position Description Form available for optional use
Jan–June 2004	Formal rule-making process (includes formal input): <ul style="list-style-type: none"><li>General classification rules (March 2004 Adoption by WPRB)</li><li>Specific classification rules (July 2004 Adoption by DOP Director)</li><li>Compensation rules (July 2004 Adoption by DOP Director)</li><li>Other rules (July 2004 Adoption by DOP Director)</li></ul>
2004	Informal and formal review and input from employers and labor organizations on additional draft products: <ul style="list-style-type: none"><li>Class specifications</li><li>Administrative guidance</li><li>Performance management confirmation criteria/program</li></ul>
Sept-Dec 2004	Adoption of class specifications
2004-2005	Training and consultation
July 2005	Implementation of new classification and compensation system Implementation of related functionality with new HRMS

## **ATTACHMENT A**

### **Performance Management Confirmation Criteria**

#### **1. Executive Commitment and Directive**

The employer executive has issued to all employees a directive outlining the importance of establishing a performance-focused culture and the need to link individual performance with the strategic goals and expected outcomes of the organization. The directive requires the creation of a comprehensive individual employee performance management system, and requires managers and employees to timely adhere to the policies and procedures set forth in that system.

#### **2. Assessment of Performance Management Status and Resolution**

The present status of performance management in the organization has been assessed; a gap analysis has been conducted; and solutions have been implemented. It is likely that some of the solutions are inherent in these confirmation criteria.

#### **3. Roles and Responsibilities**

The roles and responsibilities of managers, supervisors, employees, HR staff, and designated others in successfully implementing and sustaining the performance management system are clearly outlined and communicated.

#### **4. Management Accountability**

Policy and mechanism is in place to hold managers accountable for properly carrying out their roles and responsibilities in performance management, including making timely, fair, and valid decisions. Meaningful consequences are incorporated in such policy.

#### **5. Internal Policies and Procedures**

The executive has adopted and communicated internal policies and procedures for the performance management system and for discretionary performance-based compensation and/or layoff components. Appropriate involvement and buyoff from stakeholders has been obtained.

#### **6. Communication Plan**

A performance management communication strategy and plan is in place to timely provide clear information to all employees to help them understand the policies, procedures, timelines, and how they will be affected. This should include executive directive follow-up communications.

#### **7. Performance Management Orientation and Training**

Managers and supervisors have received thorough orientation in performance management theory and application; and have been trained to properly use appropriate performance management tools.

Managers and supervisors have received training in performance-based compensation and/or layoff policies and procedures. Employees have received appropriate orientation to performance management, and performance-based compensation and/or layoff policies and procedures.

#### **8. Funding Approach for Performance-Based Compensation**

A mechanism has been put in place to ensure funding for performance-based compensation.

#### **9. Performance Planning and Appraisal**

The Employee/Management Development & Performance Plan (E/MDPP) has been properly implemented for all employees who will be subject to performance factor decisions. Upper management has properly reviewed the quality and consistency of the performance expectations established therein. A mechanism is in place to ensure timely, quality, and fair performance appraisal of those subject to performance factor decisions

#### **10. Monitoring and Measuring Success**

A process to monitor and measure the success of the performance management system has been established. This includes a process for making needed improvements. An annual written report to DOP is required for first two years.